

**Robert E. Lee
Town Manager
Town of Plainville
Before the
Labor & Public Employees Committee
Of the General Assembly
March 1, 2012**

Thank you for the opportunity to comment in support **HB-5238, An Act Concerning Municipal Arbitrations and a Municipality's Reserve Fund Balance**, which will require arbitrators to disregard a town's fund balance for purposes of municipal binding arbitration awards.

There are several reasons why I am asking you to support this bill.

First, it is well documented by financial advisors that it is extremely unwise to use one-time revenues (i.e. fund balance) to support on-going operational expenses. (i.e. salaries and benefits) It should never be assumed that a large fund balance at any one time is something that will continue to exist at that level in future years. There are numerous examples, both at the state and local levels, where fund balance has been used to either avoid a tax increase or "soften" the mill rate increase and in the following year a large tax increase is necessary because the fund balance is no longer available.

Second, most union contracts normally extend over three to four years. Once again, a relatively large fund balance at any one time does not guarantee that it will still be at that level over the term of the union contract. The wealth of a community should be based on the municipalities "ability to pay" for any contract over its entire duration, not just when the fund balance is at a certain (one-time) level.

Third, municipalities build up a fund balance for a variety of reasons. For example, when a community is anticipating a large capital expenditure, good planning suggests that saving in advance for that project is a benefit to all of the taxpayers. However, municipalities are reluctant to "save" for the future when they know that this "good financial planning" will be used against them when it comes to arbitration awards.

In conclusion - given that the fund balance is a highly recommended tool to ensure the town's fiscal stability, it makes no sense that it should be considered in determining whether a town can afford an increase in salaries and benefits. Without a healthy fund balance, a town's bond rating will suffer, resulting in increased debt costs and burdens. The current law discourages municipalities from increasing their fund balance (for whatever reason). The current law goes against sound budgeting principles (one-time revenues being used for on-going operational expenses).

HB-5238, An Act Concerning Municipal Arbitrations and a Municipality's Reserve Fund Balance is a common sense measure and I urge your support.